

Part 3 Post-Award

Section 03 Program Income

A. Principles

Purpose. This Grants Policy Directive (GPD) specifies HHS policies concerning program income accountability under grants. This GPD supplements the regulatory coverage of 45 CFR Parts 74.24 and 92.25.

Scope. The policies contained in this GPD apply to all HHS grant programs and awards.

B. Definition

"Program income," as defined in GPD 1.02 and in 45 CFR 74.2 and 92.25, includes several different categories of income. Program income includes income resulting from fees for services performed or the sale of commodities or items produced as part of project activities; income earned from the use or rental of property acquired under a grant; and license fees and royalties on patents and copyrights.

C. Policy

It is HHS policy that grantees be encouraged to earn program income and to maximize such income, consistent with the purpose and nature of the grant or activities carried out under the grant. However, HHS policy does not require use of any particular program income alternatives (see paragraph D.1. below) nor, as a matter of policy, is one alternative preferred over another.

D. Program Income Alternatives

Description.

The alternatives for grantee use of program income are:

- (1) **Deductive alternative** Under this alternative, program income is deducted from total allowable project/program costs to determine the net allowable costs on which the Federal share of costs is based. This is similar to an applicable credit being applied to reduce the amount of the Federal award.

(2) Additive alternative Under this alternative, program income is added to the funds committed to the project/program and is used to further eligible project/program objectives.

(3) Cost sharing or matching alternative Under this alternative, program income is used to finance some or all of the non- Federal share of the project/program (see GPD 3.02).

Selection of Program Income Alternative(s).

Each Notice of Grant Award (NGA) must specify which program income alternative is to be used for that award. In the event that an NGA does not specify a program income alternative, the default provision in Parts 74 and 92 will apply. For non-research grants, the deductive alternative is the default and, for research grants, the additive alternative is the default.

Use of Program Income.

Regardless of the alternative(s) applied, program income may be used only for eligible costs, in accordance with the governing statute, any program regulations, the applicable cost principles, and the terms and conditions of the award.

If the additive alternative is specified, the awarding office may, on-a case-by-case basis, allow a grantee to use the income for eligible costs of the project or program that might not otherwise be expressly allowable costs under the terms and conditions of the award. Program income is subject to the cash management requirements of 74.22(g) and 92.21(f) for grantees covered by those regulations. Therefore, grantees must expend program income before requesting additional Federal payments.

E. Responsibilities

Grants management staff are responsible for ensuring that the potential for generating program income on a project and/or program basis is discussed with cognizant program staff and with the Office of the General Counsel, as appropriate, to determine which program income alternative(s) to apply.

Grants management staff must include the appropriate terms or conditions in each NGA concerning accountability for program income.

Grants management staff are responsible for ensuring that HHS funding of individual awards is consistent with the potential for earning program income and with the program income alternative(s) selected.

Grants management staff must monitor, through review of the Financial Status Report and/or Report of Federal Cash Transactions, as appropriate, and other available means, the grantee's earning, reporting, and use of program income and compliance with the terms or conditions of the award. If the grantee is reporting program income where none or a minimal amount of income was anticipated at the time of award, grants management staff should review the program income alternative specified in the NGA, and the award should be modified, as appropriate.

Grants management staff must ensure that, as part of closeout, the grantee is made aware of any continued accountability requirements, including any required reporting, and that subsequent grantee compliance is monitored.